

Top Secret 219

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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday 15 August 1978

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NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Tuesday, 15 August 1978.

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The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

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[] *The six-day-old cease-fire between Christian militiamen and Syrian troops in Beirut is holding. Lebanese Prime Minister Huss visited Syria yesterday to discuss further efforts to calm the situation.*

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[] Some minor fighting took place on Friday night, but there has been little shooting in Beirut since then.

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[] According to the Lebanese press, Prime Minister Huss planned to discuss three topics with Syrian President Assad: new security arrangements for Beirut; the renewal of the mandate for the Arab peacekeeping forces in Lebanon, which expires on 27 October; and deployment of the Lebanese Army troops stalled at Kawkaba in southern Lebanon.

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[] Some support elements of the army unit moved north of Kawkaba over the weekend, but most of the 650 troops are still in the town. Efforts to negotiate their passage through territory held by Israeli-backed Christian militiamen have been unsuccessful.

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[] Huss may ask the Syrians to support an attempt to move the unit to its original destination at Tibnin by a new route through Nabatiyah instead of through the militia enclave at Marj Uyun. Syrian backing is necessary to ensure the cooperation of the Palestinians who control Nabatiyah.

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USSR: Shcherbitskiy's Fortunes

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[] *The political fortunes of Ukrainian Party First Secretary Shcherbitskiy have taken a turn for the better. Pravda's announcement on 6 August of the publication of a collection of his speeches adds him to the select group of*

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senior Politburo members--Brezhnev, Kosygin, Suslov, Kirilenko-- who have received this honor. The announcement also serves in part to redress obvious slights to the Ukrainian leader on his 60th birthday last February.

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[] Shcherbitskiy was strikingly shortchanged in the honors he received on his 60th birthday. Although Politburo members normally receive the title "Hero of Socialist Labor" and are given an Order of Lenin on their 60th birthdays, Shcherbitskiy was given a lesser award, the Order of the October Revolution.

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[] Sensitivity over this slight has been evident in the Ukrainian press. Furthermore, normal Kremlin practice suggests that the birthday would have been a more proper time to announce publication of his speeches. The delay suggests that the decision involved some controversy.

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[] The announcement of the book comes about three weeks after the death of Politburo member Kulakov, who had been widely regarded as Shcherbitskiy's leading rival among the younger Politburo members for eventual succession to Brezhnev. Kulakov also turned 60 in February; he received a "Hero of Socialist Labor" and an Order of Lenin, and announcement was made of the publication of a collection of his speeches. In recent years, publication of similar collections by Brezhnev, Kosygin, Suslov, and Kirilenko have been announced in connection with their 70th birthdays.

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SOUTH KOREA: Rising Inflation

Rising inflation is casting a cloud over the otherwise strong South Korean economy and is threatening to become an important political issue in National Assembly elections scheduled for late 1978 or early 1979.

Real GNP grew 16 percent during the first quarter but was accompanied by increasing inflation. According to the government index, which appreciably understates the increase, consumer prices rose at a 16-percent annual rate in the first half of this year, up from 10 percent in 1977. The upward pressure on prices stems from a 41-percent increase in the money supply last year that resulted from the government's failure to anticipate massive inflows of foreign exchange earnings. Price controls kept inflation within the 10-percent target range in 1977, but the government has been forced to grant several large price increases in recent months.

Rising real incomes have boosted consumer demand, especially for housing and consumer durables, and a construction boom has caused shortages of building materials and skilled labor. On the supply side, a severe spring drought cut agricultural production and boosted food prices. Real wages have outstripped productivity gains for the past two years. Import costs are on the rise because of appreciation of the Japanese yen; South Korea has kept the won pegged to the dollar while relying on Japan for almost half of its non-oil imports.

Although most Koreans are benefiting from higher real wages, inflation is generating substantial public concern. The military, for example, has complained that pay scales are not keeping pace with the cost of living. The opposition

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New Democratic Party has called on cabinet ministers with economic responsibilities to step down and is likely to make inflation a key issue in the coming National Assembly election.

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[] The government, concerned with maintaining high growth and expanding exports, was slow in responding to inflation. Seoul has slowed the growth in the money supply by restricting deferred import payments and advance export payments. Since mid-year, Seoul has raised the prime rate from 15 percent to 18.5 percent and cut 1978 government spending by \$550 million. Foreign exchange reserves have actually declined slightly since December.

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[] Excess consumer demand makes any significant improvement in controlling inflation unlikely for the remainder of this year. []

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BRIEFS

Turkey

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[] Turkish officials report that 27 farmers in southwestern Turkey were recently arrested and their fields destroyed for illegally lancing poppy capsules to extract opium gum. This is the first report of capsule lancing since the government lifted a ban on poppy cultivation in 1974 and introduced the poppy straw method, which bypasses the lancing step.

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[] The public prosecutor's call for 10-year prison sentences for the farmers underscores Ankara's continuing commitment to its tough program against illicit opium production. The Ministry of Agriculture is currently seeking a government decree to reduce the area each licensed poppy farmer may plant, because there is a surplus of legal opium on the world market. The decree will probably be promulgated before the fall planting season. []

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China

25X1 [] China has purchased another 1 million tons of US wheat for 1978-79 delivery, bringing total grain imports for 1978 to a near-record 7.9 million tons. The wheat was purchased for delivery between September 1978 and January 1979 in order to maintain a steady supply to the cities of North China, where wheat is a staple grain. The US is the only available source of large quantities of wheat for delivery during this period.

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Congo

25X1 [] Congolese President Yhomby-Opango announced yesterday that he had uncovered an "international, imperialist" coup plot against his leftist, northern-dominated government. He said that "hostile mercenaries with military aircraft" had been observed, and he compared the reported coup attempt to those that had occurred in Benin and Comoros. The President named several Congolese "plotters" who he alleged are backed by several Western and African countries.

25X1 [] The accused Congolese are southerners who held government positions under an earlier southern-dominated, Western-oriented regime. []

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